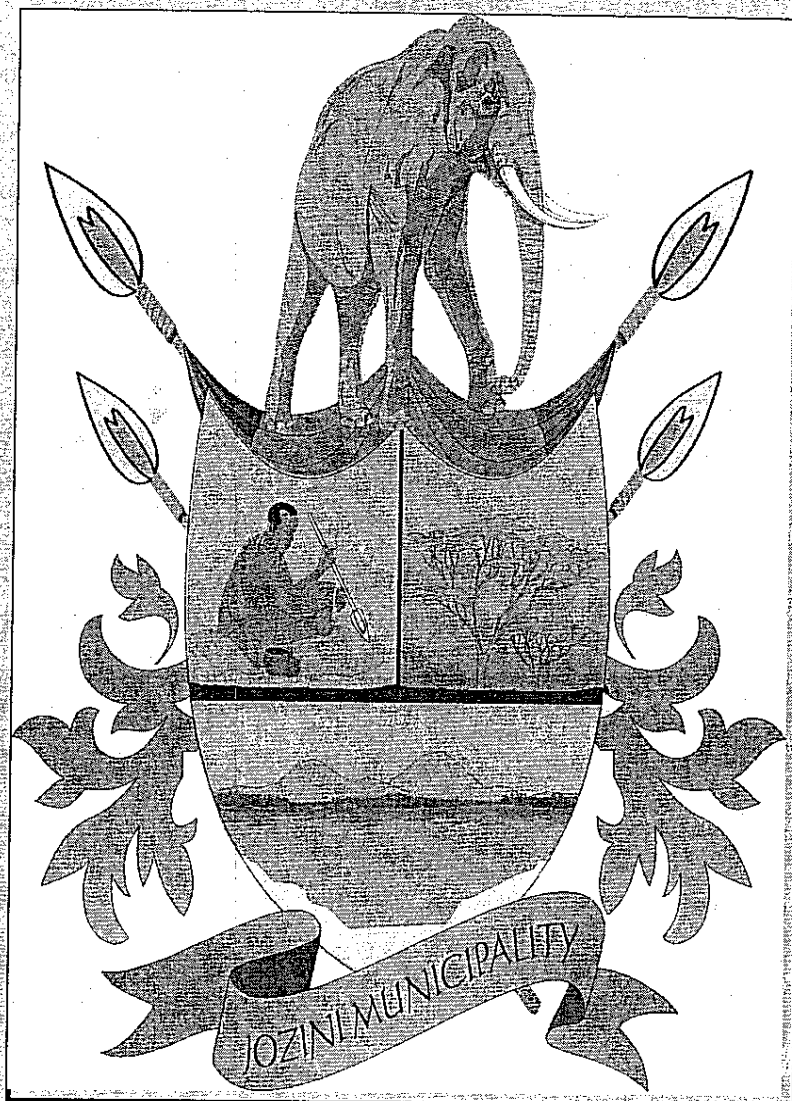


JOZINI MUNICIPALITY
AUDITED
ANNUAL FINANCIAL STATEMENTS



FOR THE PERIOD
ENDED 30 JUNE 2005

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**JOZINI MUNICIPALITY
FINANCIAL STATEMENTS**

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

1. Cllr. T.P. Mthethwa	Her Worship - The Mayor
2. Cllr. J.O. Gumbi	Deputy Mayor
3. Cllr. P.J. Mabuyakhulu	Speaker
4. Cllr. T.D. Khuzwayo	Exco Member
5. Cllr. R.M. Mathenjwa	Exco Member
6. Cllr. H.S. Ngxongo	Exco Member
7. Cllr. J. Siyaya	Exco Member

SPEAKER OF COUNCIL

Cllr. P.J. Mabuyakhulu

Total number of councillors: 32

GRADING OF THE LOCAL MUNICIPALITY

Grade 2

(As per councillor remuneration grading)

AUDITORS

The Auditor-General

BANKERS

First National Bank of South Africa

REGISTERED OFFICE

Circle Street, Bottom Town
Jozini
3969

Private Bag x 028
Jozini
3969

Telephone (035) 572 1292
Fax (035) 572 1266

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

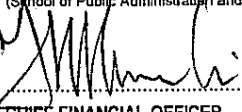
The annual financial statements set out on pages 1 to 26 were approved by the Municipal Manager on 28 August 2005 and presented to and approved by Council on 30 October 2005


 24/02/06
 MUNICIPAL MANAGER

NN Nkosi (effective 01 December 2001)

Matric, Executive Leadership Development Programme - Municipal Manager's Certificate

(School of Public Administration and Development Management, UKZN)


 CHIEF FINANCIAL OFFICER

TV Mdiuli (effective 01 July 2002)

Matric, N5 Financial Management, Executive Leadership Development Programme - Municipal Manager's Certificate

(School of Public Administration and Development Management, UKZN)

FOREWORD BY THE MAYOR

1. Governance and Democracy

Our strategic objectives are to strengthen the capacity of our governance structures to understand, plan and implement sustainable integrated development.

We want to ensure the effective community and stakeholders participation in the sustainable integrated development of our communities.(IDP Roadshows and Budget Meetings)

We want to increase municipal capacity to undertake all municipal functions and responsibilities. (Councillors and Staff Training)

2. Local Economic Development, Job Creation and Poverty Alleviation

We want to facilitate sustainable investment and development of the primary and secondary sectors of economic development of Jozini Municipality

3. Infrastructure and Services

Water & Sanitation

We want to establish a permanent water supply solution to the community.

Roads, Streets and Storm Water

We have invested in the development and construction of road network and will continue in the next years.

Energy and Lighting

Through the Free Basic Energy grant we are able to supply energy sources to all households in the municipality.

Community and Municipal Facilities

We have investment in the development of new and existing community and municipal facilities and infrastructure.

Municipal Services

We provide community access to municipal services.

4. Social and Community Development and Environmental Sustainability

We facilitate sustainable social and community development.

5. Municipal Finance Administration and Institutional Development

We ensure a financial viable and developmental institution by training all finance staff.



Cllr TP Madlopha-Mthethwa
Her Worship - The Mayor

FINANCIAL REPORT

2004/2005 YEAR REVIEW

Background

Jozini Municipality is a grade two Local Municipality within the Umkhanyakude District Municipality. It covers four traditional authority areas namely Ingwavuma, uBombo, Mkhuze and Jozini. The Municipality has been in existence for four and the half years and has 16 wards with 32 councilors. It is worth mentioning that the municipal area is mainly rural with three authorities, Municipality, Traditional Authority and DMA.

Challenges

The municipality has been under extreme challenging conditions. The municipality has to address challenges of infrastructure, tourism, local economic development, poverty, drought, MFMA implementation, internship programme, town development, LUMS finalization, organizational PMS, audit unit establishment, budget office establishment, capacity building, service delivery, HIV/AIDS pandemic, planning and implementation of sustainable projects in a fair, equitable and transparent manner. Revenue increase and community capacitation on payments of debts remains a challenge. The municipality has achieved some of its own objectives but there is a long way to go.

IDP and Budget Process Plans

IDP and Budget Process Plans have been prepared and has been adopted by the council in a reasonable time. It is however acknowledge that the proper implementation of the IDP and Budget are still major challenges. Going forward it is anticipated that there will be an alignment of IDP and budget process plans within the municipality and the district at large but this demands collective efforts for all role-players.

Annual Financial Statements and Audit Reports

Annual Financial Statements (AFS) for year ending 30 June 2004 were prepared and submitted during November and the Office of the Auditor-General is currently auditing these sets of AFS. Some of previous audit opinions and recommendations are currently being addressed. The CFO is busy preparing a plan to implement all recommendations.

Summary Financial Review

Income received for this period amounted to R22 millions and expenditure was R23.7 millions. Some grants and operating income has not yet been received and will be received before the end of the financial year. Interest on investment for the year has been recognized.

These financials represents the financial performance and operating results of the Jozini Municipality for the year ending 30 June 2005.

1. OPERATING RESULTS

Details of the operating results per department and classification of income and expenditure are included in appendices D and E. The overall operating results for the year ending 30 June 2005 are as follows:

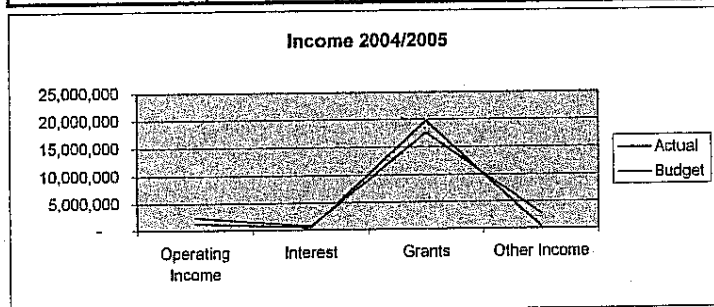
INCOME	Actual 2005 R	Budget 2005 R	Variance Actual/ Budget %	Actual 2004 R	Variance Actual/ Budget %
Operating income for the year	22,076,114	23,949,372	-7.8%	15,436,142	43.0%
Closing deficit	-	-	-	-	-
	22,076,114	23,949,372		15,436,142	
EXPENDITURE					
Expenditure for the year	22,190,753	23,940,590	-7.3%	14,074,209	57.7%
	22,190,753	23,940,590		14,074,209	

Operating expenditure has been kept below the income received.

2. INCOME

Details of income per department and classification are included in appendix D.

	Actual 2005	Budget 2005	2005 Variance Amount	2005 Variance %
Operating Income	1,251,537	2,451,959	-1,200,422.24	-49.0%
Interest	514,162	781,773	-267,610.67	-34.2%
Grants	19,868,404	17,773,000	2,095,404.00	11.8%
Other Income	442,011	2,942,640	-2,500,629.17	-85.0%
	22,076,114	23,949,372	-1,873,258.08	-156.4%

**Comments****2.1 Grants and Subsidies**

Equitable share is shown as operational grant; and MAP, MFMA, Inter-departmental monitoring, Anti-Corruption, Property Rates' Library grants has been received and remaining funds will be transferred to funds.

(See Appendix A and D for more information)

2.2 Operating Income

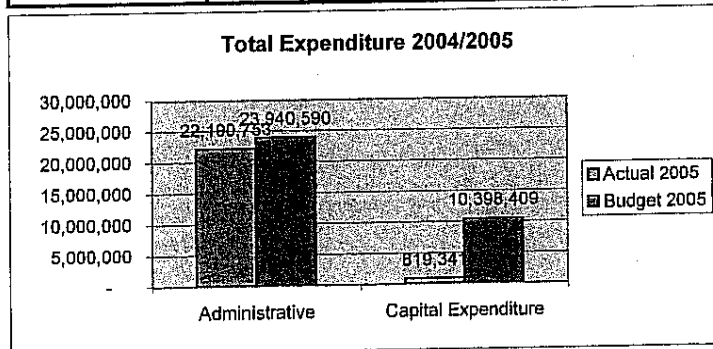
Actual 2005	Budget 2005
1,251,537	2,451,959

(Refer to Appendix D for more details).

3. EXPENDITURE**3.1 Total Expenditure**

Details of income department and classification are included in appendix D.

	Actual 2005	Budget 2005	2005 Variance Amount	2005 Variance %
Administrative	22,190,753	23,940,590	(1,749,837)	-7.31%
Capital Expenditure	819,341	10,398,409	(9,579,068)	-92.12%
Total	23,010,094	34,338,999	(11,328,905)	(1)



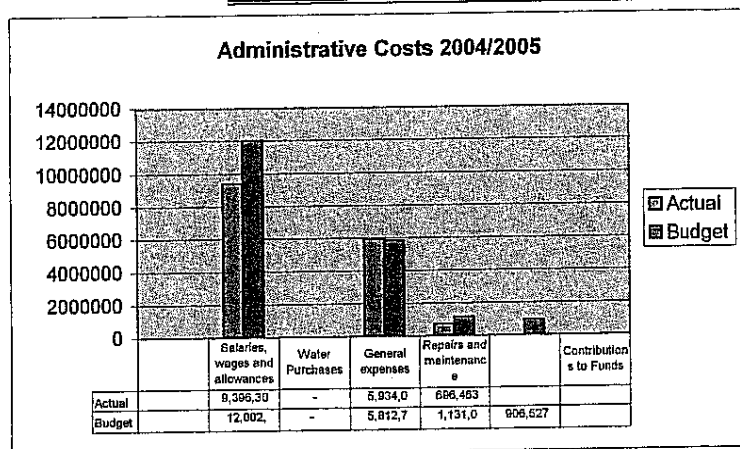
3.2 Administrative Expenditure

Administrative expenditure for the period are as follows:

	Actual 2005	Budget 2005	Variance 2,005	Variance % 2005
Administrative	17,316,077	23,940,590	(6,624,513)	-0.28

Administrative expenditure as per classification are as follows:

	2005 Actual	2005 Budget	2005 Variance	2005 Variance %
Salaries, wages and allowance	9,396,301	12,002,858	(2,606,557)	-21.72%
Water Purchases	-	-	-	0.00%
General expenses	5,934,003.55	5,812,721	121,283	2.09%
Repairs and maintenance	696,463.64	1,131,000	(434,536)	-38.42%
		906,527	(906,527)	0.00%
Contributions to Funds			-	
	16,026,768	19,853,106	(3,826,338)	(1)



3.2.1 Expenditure - Specific Votes

	2005 Budget	2005 Actual	2005 Variance	2005 Variance %
Mayoral Fund	250,000	389,726	(139,726)	-35.85%
Free Basic Services	2,277,000	-	2,277,000	0.00%
	2,527,000	389,726	2,137,274	-35.85%

It will be noted from the above that there has been under-expenditure on most important votes and this should be accelerated for the benefit of the local community.

4. CAPITAL EXPENDITURE (FIXED ASSETS)

The expenditure on fixed assets incurred during the year amounted to R 839 265.50 which consisted mainly of Plant & Equipment, Furniture & Fittings and Computers.

Details are reflected in Appendix C

Resources used to finance the fixed assets were as follows:

Contributions from operating income	-
Grants & Subsidies	839,266
	<u>839,266</u>

Refer to 3.1 for comments on total expenditure.

5. EXTERNAL LOANS, INVESTMENTS AND CASH

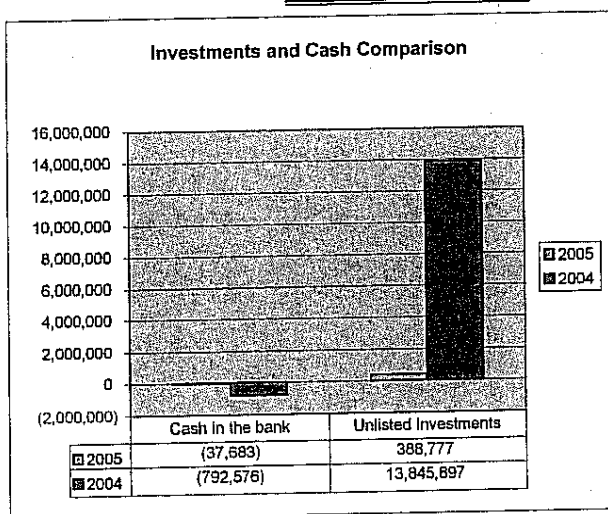
5.1 External loans

No external loans were taken up for the municipal functions during the period and none were transferred from Umkhanyakude District and Jozini. Details of external loans are included in appendix A.

5.2 Investments and Cash

All available cash was held in Council's Bank account at 30 June 2005 amounting to (refer to notes 7 and 20 for more details):

	2005	2004
Cash in the bank	(37,683)	(792,576)
Unlisted Investments	388,777	13,845,897
	<u>351,094</u>	<u>13,053,321</u>

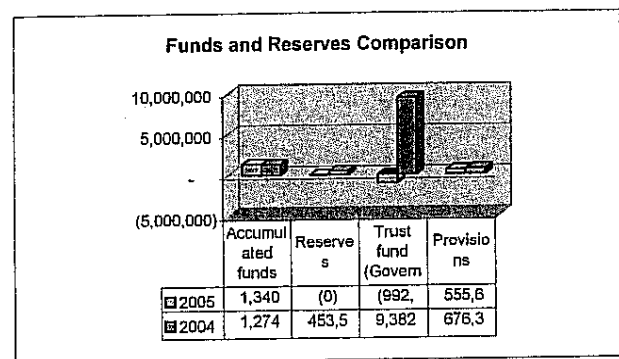


A million rand withdrawal from investments was made this current financial year. Interest received from current account and investment account amounted to R 388,777.00 for the current financial year.

6. FUNDS AND RESERVES

Funds reserves and provisions may be summarized as follows:

	2005	2004
Accumulated funds	1,340,970	1,274,739
Reserves	(0)	453,547
Trust fund (Government Grants)	(992,206)	9,382,191
Provisions	555,632	676,378
	<u>904,396</u>	<u>11,786,855</u>



Full details on funds and reserves are included in notes 1, 2 and 3 to the financial statements and appendix A.
 fully provided for in a Provision for Bad Debts. A contribution equal to budgeted figure was effected to Leave reserve at the end of this financial year.

7. GOING CONCERN

In management's view the Jozini Local Council will be in continuous existence in the foreseeable future and expected to uplift standard of living within its' area of operation. But it should be noted that this Municipality is depending on grants from government at the moment.

8. POST BALANCE SHEET EVENTS

PriceWaterhousecoopers will be assisting Jozini Municipality in the development and correction of assets register for 2004/2005 financial year.
 Imaterial differences may be identified and will not badly affect the financial statements being presented.

EXPRESSION OF APPRECIATION

I wish to thank the Mayor, members of the Executive Committee, Councilors, the Municipal Manager, Heads of Departments and especially the staff in the financial department for the support they have given me.

M. Mdluli
 Chief Financial Officer
 JOZINI LOCAL MUNICIPALITY

JOZINI MUNICIPALITY

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3.
- 1.3 The financial statements are prepared on the accrual basis as stated:
- (i) Income is accrued when available to finance operations. Certain direct income is accrued when received and /or when the amount can be measured with certainty.
 - (ii) Expenditure is accrued in the year it is incurred.
- 1.4 All amounts disclosed in these Financial Statements are rounded off to the nearest Rand, but actual amounts were used in the calculations.

2 CONSOLIDATION

The financial statements include rates and general services, water, equitable share, trading services and the different funds and reserves. All inter departmental charges are set-off against each other. A contribution was not made from Rate and General Service, Revenue account to Water service, even though that was budgeted for, as the Water Service attained a Surplus for the year.

3 FIXED ASSETS

3.1 Fixed assets are stated:

- (i) at historical cost, or
- (ii) at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

3.2 Depreciation:

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

- (i) Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- (ii) Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other capital Receipts" account.

3.3 All net proceeds from the sale of fixed property are credited to the Public Improvement Fund. Net proceeds from the sale of all assets are credited to a CDF.

3.4 Fixed assets are financed from different sources, including external loans, operating income and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4 STOCK

Stock is purchased on a need basis, and the balance on hand at year end is accounted for as expenditure.

5 FUNDS AND RESERVES

5.1 Capital Development Fund

The Local Government Ordinance, Natal, No. 25 of 1974, requires a minimum contribution of 3.0% of the defined income of local authority to the immediately preceding financial year.

5.2 Public Improvement Fund

The Public Improvement Fund provides for the future township development. All developments costs as defined in section 103 (3) (d) of the Local Government Ordinance, Natal, No. 25 of 1974, are debited against the fund. All proceeds from sale of developed land are credited as income for the fund.

5.3 Leave Provision

A provision equal to the actual leave credit as at 30 June 2005 is maintained to provide for leave payments on request. Contributions are made from the operating account.

5.4 Bad Debt Provision

A provision equal to the anticipated risk as at 30 June 2005 is maintained to provide for bad debts. Contributions are made from the applicable accumulated account based on outstanding debtors more than ninety days.

5.5 Working Reserves

Some funds are reserved for the unexpected variation of working capital.

6 RETIREMENT BENEFITS

Jozini Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

7 LEASED ASSETS

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

8 INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by section 125 of the Local Authorities Ordinance, 1974 (Ordinance No. 25 of 1974) and section 10G(9) of the Local Government Transition Act, 1993 (Act No. 209 of 1993).

9 INCOME RECOGNITION

9.1 Assessment Rates

Assessment Rates are levied on land and improvement value of property at a differential rate. Rebates are granted according to the use to which a particular property is put to.

9.2 Water Billings.

Meters are read and billed monthly. This is done on behalf of the Umkhanyakude district Municipality as per the latest powers and functions.

10 SURPLUSES AND DEFICITS

The Unappropriated Surplus is maintained as an Operating cash reserve, to fund expenditure during the financial year, prior to the collection of revenue. It may also be utilized to fund projects that the council may deem necessary to fund.

JOZINI MUNICIPALITY

BALANCE SHEET AT 30 JUNE 2005

	Notes	2005 R	2004 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		FS 15 1,340,970	1,728,286
Statutory Funds	1	1,340,970	FS 15 1,274,739
Reserves	2	FS 15 -	FS 15 453,547
ACCUMULATED SURPLUS/(DEFICIT)	15	FS 18 1,100,873	FS 18 2,056,526
TRUST FUNDS	3	FS 15 -992,206	FS 15 9,381,446
LONG-TERM LIABILITIES	4		
Deposits		1,449,636 ^	13,166,258 ^
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	5		FS 16 -
LONG TERM DEBTORS	6	FS 16 -	FS 16 -
INVESTMENTS	7	FS 16 388,777	FS 16 13,845,897
NET CURRENT ASSETS / (LIABILITIES)		1,060,860 ^	-964,639 ^
CURRENT ASSETS		FS 16 5,905,867	2,204,928
Inventory	8	FS 16 5,905,867	FS 16 2,204,927
Debtors	20		
Cash resources	8	FS 16 -	-
Short-term portion of long term debtors			
CURRENT LIABILITIES		4,845,007 ^	3,169,567 ^
Provisions	9	FS 17 555,632	FS 17 676,379
Creditors	10	FS 17 4,251,692	FS 17 1,700,612
Short-term portion of long term creditors	4	FS 15 -	FS 15 -
Bank Overdraft	20	FS 19 37,683	FS 19 792,576
		1,449,636 ^	12,881,258 ^

TB - Accepted TO TRUSTEE

A - CASTED

JOZINI MUNICIPALITY

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2005

	2004		2005		2005
	Actual income R	2004 Actual expenditure R	2004 Surplus / (Deficit) R	Budget Surplus / (Deficit) R	2005 Actual income R
RATES & GENERAL SERVICES	12,710,924	12,552,439	158,484	158,484	22,076,114
Community Services	12,710,924	12,552,439	158,484	(471,147)	FS26 22,052,654
- Subsidized Services			-	242,663	-
- Economic Services	-	-	-	70,000	FS26 23,460
TRADING SERVICES					
- Trading Services	-	-	-	-	426,755
TOTAL	12,710,924	12,552,439	158,484	(158,484)	FS26 22,076,114
Appropriations for this period (refer to note 15)		FS26 23,357			FS26 22,190,753
Net surplus for the period		181,841			FS26 (955,653)
Accumulated surplus beginning of the period		FS26 8,386,402			FS26 2,056,527
ACCUMULATED SURPLUS AT THE END OF THE PERIOD		8,568,243			FS26 1,100,873

(Refer to appendix D and E for more detail)

(Refer to appendix D and E for more detail)

JOZINI MUNICIPALITY
CASH FLOW STATEMENT FOR THE
YEAR ENDED 30 JUNE 2005

	Note	2005 R.	2004
CASH RETAINED FROM OPERATING ACTIVITIES		Λ 13,541,494	Λ 6,091,706
Cash generated by operations	16	FS19 (5,973,842)	FS19 (10,067,452)
Investment Income	14	FS18 514,162	FS18 1,059,428
Increase in working capital	17	FS19 (1,270,606)	FS19 2,716,099
		Λ (6,730,286)	Λ (6,291,925)
Less: External interest paid	14	-	(789)
Cash utilized by operations		(6,730,286)	(6,292,714)
Operational Grants		15,987,946	6,929,708
Proceeds on disposal of fixed assets			40,271
Contributions from Public or Government		4,283,834	5,414,441
		(839,266)	(6,068,517)
CASH UTILIZED IN INVESTING ACTIVITIES			
Investment in Fixed Assets		(839,266)	(6,068,517)
NET CASH FLOW		Λ 12,702,228	Λ 23,189
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase/ (Decrease) in long-term Loans	18	FS19 -	FS19 (2,710,373)
Increase/ (Decrease) in Cash Investments	19	FS19 (13,457,121)	1,968,374
Increase/ (Decrease) in Deposits	6	FS16 -	FS16 -
Increase/ (Decrease) in Cash	20	FS19 754,893	718,810
NET CASH GENERATED		Λ (12,702,227)	Λ (23,189)

JOZINI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE 2005

1. STATUTORY FUNDS

Capital Development Fund
Public Improvement Fund
Public Improvement Fund Advances

(Refer to appendix A for more detail)

2005	2004
R	R
TB 1,204,849	TB 1,138,618
TB 129,780	TB 136,121
TB 6,342	
<u>1,340,970</u>	<u>1,274,739</u>

2. RESERVES

Emergency Relief Fund
Micro Dams

TB 0	TB 293,564
TB 0	TB 159,983
<u>0</u>	<u>453,547</u>

3. TRUST FUNDS

Establishment Grant
IDP Grant
Communication Grant
Jozini Roads Development Grant
Development Admin Capacity Building
Tax Grant
Land Use Management Grant
HR/Finance Grant
LED Grant
LGWSETA
GIS Grant
Library Grant
Housing Grant
Performance Management Grant
Finance Management Grant
Property Rates
Interdepartmental Monitoring Grant
Anti-Corruption Strategy
MAP
MFMA Grant
SA Sports Commission

(Refer to appendix A for more detail)

TB -494,229	TB 1,624,779
TB 141,923	TB 246,716
TB 27,548	TB 37,938
TB -3,850,580	TB 1,159,679
TB 109,871	TB 0
TB 0	TB 652,845
TB 93,828	TB 93,828
TB 0	TB 248,906
TB 0	TB 813,922
TB 745	TB 0
TB 71,559	TB 71,559
TB 1,385,310	TB 95,468
TB 61,892	TB 3,512,241
TB -127,915	TB -176,435
TB 788,758	TB 1,000,000
TB 63,125	TB 0
TB 60,000	TB 0
TB 134,000	TB 0
TB 500,000	TB 0
TB 37,838	TB 0
TB 4,120	TB 0
<u>-992,206</u>	<u>9,381,446</u>

4. LONG TERM LIABILITIES

Deposits
Less: Short term portion
(Refer to appendix "B" for more details)

TB 0	TB 0
<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>

JOZINI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2005

5. FIXED ASSETS

Fixed assets at the beginning of the year
 Capital expenditure during the year
 Less : Assets written off, transferred or disposed of during the year
 Total fixed assets
 Less : Loans redeemed and other capital receipts

Net fixed assets

(Refer to appendix "C" and section 2 of the Treasurers Report for more details on fixed assets)
 Fixed assets are resources owned by the Council from which future economic benefits are expected to flow. All assets are capitalized. Fixed assets are financed by grants, subsidies and revenue.

6. LONG TERM DEBTORS

Deposits

Less: Short term portion of long term debtors transferred to current assets

7. INVESTMENTS

Unlisted:

FNB Call Account
 ABSA Call Account
 Marriot Merchant Bank
 Total Investments

Managements' valuation of unlisted investments.
 Average gross rate of return on investments

8. DEBTORS

Rates Debtors
 STAFF DEBTORS
 Sundry Debtors
 M NDLOVU - DEPT OF HOUSING
 PURCHASE OF SITES - INGWAVUMA
 BP NTSHANGASE
 JA MNGOMEZULU
 NE DLAMINI
 PH NXUMALO
 SM NDLOVU
 PH NXUMALO
 NC MAGAZI
 NP DLUDLU
 PM MYENI
 NP MATHENJWA
 PN MNGOMEZULU
 DC 27 OFFICE RENT MKUZE
 INGWAVUMA CORRECTION SERVICES
 SW MADLOPHA
 CHRISTMAS PARTY
 UTHUNGULU YEAR END BALANCES
 UMKHANYAKUDE YEAR END BALANCES
 Other debtors

Less: Provisions for bad Debts

	2005 R	2004 R
TB 16,134,023	16,134,023	17,632,975
839,266	839,266	6,068,517
0	0	-7,567,469
16,973,288	16,973,288	TB 16,134,023
16,973,288	16,973,288	16,134,023
0	0	0
0	0	0
0	0	0
388,777	388,777	7,999,763
0	0	5,846,134
0	0	0
388,777	388,777	13,845,897
388,777	388,777	13,845,897
6.93%	6.93%	4.89%
5,556,331	5,556,331	TB 1,777,482
18,483	18,483	0
0	0	264,068
TB 171,650	TB 171,650	0
TB -114,527	TB -114,527	0
TB 40,156	TB 40,156	0
TB 649	TB 649	0
TB 2,844	TB 2,844	0
TB 10,310	TB 10,310	0
TB 580	TB 580	0
280	280	0
280	280	0
TB 320	TB 320	0
TB 280	TB 280	0
255	255	0
TB 130	TB 130	0
TB 21,600	TB 21,600	0
TB 10,150	TB 10,150	0
TB 7,000	TB 7,000	0
TB 6,720	TB 6,720	0
0	0	TB 728,736
728,735	728,735	0
9000	9000	0
6,471,226	6,471,226	2,770,286
TB 565,359	TB 565,359	565,359
5,905,867	5,905,867	2,204,927

JOZINI MUNICIPALITY
NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2005

9. PROVISIONS

Accounting and Audit Fees
 Leave

2005 R	2004 R
	TB 285,000
TB 555,632	TB 391,379
<u>555,632</u>	<u>A 676,379</u>

Provisions for leave pay was made based budgeted figure in the budget.
 Calculated based on 15days multiply by applicable rate of each employee.

10. CREDITORS

Trade Creditors
 Retention Held
 Creditors suspense
 Value Added Tax
 Audit Fees
 Other Municipalities
 Salary Clearing
 Receipt Clearing
 Purchase of Ingwavuma Sites
 Prio Year Clearing
 Other Creditors

	9,440
TB 0	TB 0
1,410,160	0
165,739	440,079
0	285,000
1,283,964	0
TB 703,093	
TB 688,736	
0	108,467
	857,626
<u>A 4,251,692</u>	<u>A 1,700,611</u>
<u>1,231,301</u>	<u>738,679</u>

11. ASSESSMENT RATES

Rateable Land

Assessment Rates are based on both the difference and valuation rating system. There are only property valuations in Mkuze. Ingwavuma and uBombo are based on a rate per m2 basis.

Valuations on land are performed every five years. The basic rate was 0.0545 cents on land only.

12. COUNCILLORS' REMUNERATION

Mayor's allowance

Deputy Mayor

Speaker

Executive Committee

Ordinary Councillors

Councillors' pension Fund

Total Councillors' Remuneration

In-kind Benefits

146,695	65,659
81,868	
132,000	
322,397	1,065,152
1,142,435	0
135,048	
<u>A 1,960,443</u>	<u>A 1,130,811</u>

The Speaker is fulltime. The Mayor and Speaker are provided with an office and the Mayor is also provided with the secretarial support at the cost of the Council. The Mayor has one full-time bodyguard / driver.

13. AUDITORS' REMUNERATION

Paid during the year

Total Auditors' remuneration

123,447	197,177
<u>123,447</u>	<u>197,177</u>

**JOZINI MUNICIPALITY
NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2005**

14. FINANCE TRANSACTIONS

Total external interest earned/(paid):
Interest earned
Interest paid

Capital Charges debited to operating account:
Interest: External
Internal
Redemption: External
Internal

2005 R	2004 R
514,162	1,059,428
0	-789
<u>514,162</u>	<u>1,058,639</u>
0	0
0	0
0	0
0	0
<u>0</u>	<u>0</u>

15. ACCUMULATED SURPLUS/(DEFICIT)

Net Appropriation account

Accumulated surplus/(deficit) at the beginning of the year
Operating surplus for the period

Appropriations for the year
Prior Year adjustments

Accumulated surplus/(deficit) at the end of the period

Operating account
Capital expenditure
Contributions to:
- Provisions
- Reserves
- Trust Funds
- Capital Development Fund
- Leave

2,056,526	3,796,988
-114,639	1,361,935
<u>-841,014</u>	<u>-3,102,397</u>
<u>1,100,873</u>	<u>2,056,526</u>
839,266	6,826
4,452,408	463,084
337,146	0
3,880,458	0
0	0
66,231	463,084
168,573	0
<u>5,291,673</u>	<u>469,910</u>

16. CASH GENERATED BY OPERATIONS

Net surplus (deficit) for the year

Adjustment for:
Appropriations for previous year

Appropriations charged against income
Capital Development fund
Provisions
Reserves
Fixed Assets

Capital Charges

Interest Paid
- Internal Funds
- External Loans
Redemption
- Internal Advances
- External Loans

Grants and Subsidies received from the State
Investment Income (Operating Account)

-114,639	1,361,935
-841,014	-3,102,397
<u>1,074,070</u>	<u>832,040</u>
66,231	463,084
168,573	362,130
839,266	0
0	2,710,373
	2,710,373
FS25 -15,987,946	FS25 -13,596,468
FS25 -514,162	FS25 -591,000

JOZINI MUNICIPALITY
NOTES TO FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE 2005

CASH GENERATED BY OPERATIONS (Continued)

	2005 R	2004 R
Non operating income		-15,169
Public Improvement Fund		-63,357
Consolidated Capital Development Fund		-8,938,851
Trust funds		0
Provisions		0
Non operating expenditure		
Trust Funds	13,902,991	301,492
Reserves	453,547	0
Provisions	0	11,033,950
Operating surplus before working capital changes	<u>FS14 -5,973,842</u>	<u>FS14 -10,067,452</u>

17. (INCREASE)/DECREASE IN WORKING CAPITAL

(Increase)/Decrease in stock	0	0
(Increase)/Decrease in debtors	-3,700,940	3,218,337
(Increase)/Decrease in deposits	0	-95,901
Increase/(Decrease) in creditors	2,430,333	-406,337
	<u>FS14 A -1,270,606</u>	<u>FS14 A 2,716,099</u>

18. (INCREASE)/DECREASE IN LONG-TERM LOANS (EXTERNAL)

Loans Raised	0	0
Loans Repaid	0	2,710,373
	<u>0</u>	<u>FS14 2,710,373</u>

19. (INCREASE)/DECREASE IN INVESTMENTS

Investment beginning of the year	13,845,898	19,464,171
Investment end of the year	388,777	-21,432,545
Net increases in cash equivalents	<u>FS14 A -13,457,121</u>	<u>FS14 A -1,968,374</u>

20. (INCREASE)/ DECREASE IN CASH ON HAND

The Municipality has the following bank accounts:-

Current Account (primary Bank Account)
First National Bank - Mkuze Branch

Cash book balance at beginning of year - overdrawn	-792,576	-73,766
Cash book balance at end of year - overdrawn	-37,683	-792,576

FS14 A 754,893 FS14 A -718,810 FS14

Bank statement balance at beginning of year - (overdrawn)	214,375	-792,576
Bank statement balance at end of year - (overdrawn)	487,482	214,375

JOZINI MUNICIPALITY
NOTES TO FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE 2005

(INCREASE)/ DECREASE IN CASH ON HAND (Continued)

Call Accounts

First National Bank - Mkuze Branch

Cash book balance
 Bank statement Balance

2005
R

2004
R

298,095	4,044,286
298,096	4,044,286

First National Bank - Mkuze Branch

Cash book balance
 Bank statement Balance

1,054	41,191
1,054	41,191

First National Bank - Mkuze Branch

Cash book balance
 Bank statement Balance

89,627	3,914,286
89,627	3,914,286

21. CAPITAL DEVELOPMENT FUND

Accumulated Funds (Appendix A)
 Less: Internal Investment to Borrowing Services (Appendix B)
 Balance available for External Investment

1,204,849	1,138,618
0	0
1,204,849	1,138,618

22. PUBLIC IMPROVEMENT FUND

Accumulated Funds (Appendix A)
 Less: Internal Investment to Borrowing Services (Appendix B)
 Less: Funds Invested in fixed assets (Appendix C)
 Balance available for External Investment

136,121	136,121
0	0
0	0
136,121	136,121

23. RETIREMENT BENEFITS

Employees belong to the following funds within the Natal Joint Municipal Pension/Provident Funds which provide retirement benefits to such employees. This is a compulsory benefit.

- (i) Natal Joint Municipal Pension Fund (retirement)
- (ii) Natal Joint Municipal Pension Fund (superannuation)
- (iii) Natal Joint Municipal Pension Fund (provident)
- (iv) Municipal Councillors Pension Fund

The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuation are performed at least every three years. The latest independent valuation of the funds, which indicated that the funds were in a sound financial position, was undertaken on 31 March 1998.

JOZINI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE ENDED 30 JUNE 2005

24. EMPLOYEE RELATED COSTS

Salaries & Wages	
Contributions for UIF, pension and medical aids	
Travel, motor car, accommodation, subsistence and other allowances	
Housing benefits and allowances	
Overtime payments	
Bonus	
Less: Employee costs: unauthorised to property, Plant and Equipment	
Less: Employee costs included in other expenses	
Total Employee Related Costs	

2005 R	2004 R
4,379,852	4,501,725
790,657	801,677
68,017	70,302
430,344	444,802
297,430	348,240
<u>5,966,300</u>	<u>6,166,746</u>

Remuneration of Individual Executive Directors
30 June 2005

	<u>Municipal Manager</u> R	<u>Financial Services</u> R	<u>Corporate Services</u> R	<u>Technical Services</u> R
Annual Remuneration	341,497.00	265,397.90	279,963	277,398
Performance Bonuses	54,900.00	49,350.00	49,350	24,675
Travel, motor car, accommodation, subsistence and other allowances	128,298.85	131,781.70	103,138	151,779
UIF	1,092.52	1,092.52	1,092.52	1,092.52
Total	<u>525,788.37</u>	<u>447,622.12</u>	<u>433,543.80</u>	<u>454,944.42</u>

JOZINI MUNICIPALITY

APPENDIX A

STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS

	Balance at 01/7/2004 R	Contributions during the year R	Interest on investment R	Operating expenditure during the year R	Capital expenditure during the year R	Balance at 30/6/2005 R
STATUTORY FUNDS						
Consolidated Capital Development Fund	TB 1,138,618	66,231	-	-	-	TB 1,204,849
Public Improvement Funds	136,121	-	-	-	-	136,121
	A 1,274,739	66,231	-	-	-	A 1,340,970
TRUST FUNDS						
Establishment Grant	TB 1,624,779	470,000	-	-	2,589,008	TB (494,229)
Free Basic Water	-	-	-	-	-	-
IDP	TB 246,716	50,000	-	-	154,793	TB 141,923
Communication	TB 37,938	-	-	-	10,390	TB 27,548
Roads	TB 1,159,679	-	-	-	5,010,259	TB (3,850,580)
Tax Grant	TB 652,845	-	-	652,845	-	TB 0
Lums Grant	TB 93,828	-	-	-	-	TB 93,828
HR / Fin Grant	TB 248,906	-	-	1,784	250,690	TB -
LED Grant	TB 813,922	-	-	-	813,922	TB 0
LGWSETA	TB 745	-	-	-	-	745
Library Grant	TB 95,468	2,009,463	-	-	719,621	TB 1,385,310
GIS	TB 71,559	-	-	-	-	TB 71,559
Performance Management System	TB (176,435)	60,000	-	-	11,480	TB (127,915)
Finance Management Grant	TB 1,000,000	-	-	191,317	19,925	TB 788,758
Capacity Building Grant	TB -	250,000	-	-	140,129	TB 109,871
Sports Commission	TB -	16,000	-	-	11,880	TB 4,120
MAP	TB -	500,000	-	-	-	TB 500,000
Interdepartmental Monitoring	TB -	60,000	-	-	-	TB 60,000
MFMA	-	45,000	-	-	7,163	TB 37,838
Property Rates	TB -	63,125	-	-	-	TB 63,125
Anti-Corruption	TB -	134,000	-	-	-	TB 134,000
Sanitation	-	-	-	-	-	TB -
Housing	TB 3,512,241	222,870	-	-	3,673,219	TB 61,892
	-	-	-	-	-	-
	-	-	-	-	-	-
	A 9,382,191	A 3,880,458	-	A 845,946	A 13,412,477	A (992,206)
PROVISIONS						
Accounting & Audit Fees	285,000	-	-	285,000	-	-
Leave	391,378	337,146	-	172,892	-	555,632
Bad Debts	-	-	-	-	-	-
	A 676,378	337,146	-	A 457,892	-	555,632
RESERVES						
Emergency Relief Fund	293,564	-	-	-	293,564	0
Micro Dams	159,983	-	-	-	159,983	(0)
	A 453,547	-	-	-	453,547	(0)
TOTAL	A 11,786,855	A 4,283,835	-	A 1,303,838	A 13,866,024	904,396

JOZINI MUNICIPALITY

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Balance at 01 July 2004 R	Received during the year R	Redeemed or written off during the year R	Balance at 30 June 2005 R
Annuity Loans	-	-	-	-
Fixed Loans	-	-	-	-
	-	-	-	-

INTERNAL ADVANCES BORROWING SERVICES	Balance at 01 July 2004 R	Received during the period R	Redeemed or written off during the period R	Balance at 31 December 2004 R
Public Improvement Fund	-	-	-	-
Capital Development Fund	-	-	-	-
	-	-	-	-

JOZINI MUNICIPALITY

ANALYSIS OF FIXED ASSETS

EXPENDITURE 2003	SERVICE	BUDGET 2005/2006	BALANCE AT 1 JULY 2004	EXPENDITURE 2004 & 2005	REDEEMED, TRANSFERRED OR WRITTEN OFF	BALANCE AT 30 JUNE 2005
R		R	R	R	R	R
1,254,818	RATES AND GENERAL SERVICES	1,858,198	16,059,513	839,266	-	16,898,778
690,735	Land & Buildings	331,199	2,025,819	-		2,025,819
105,913	Furniture & Fittings	115,000	2,527,213	206,673		2,733,886
109,052	Computers	111,999	365,740	148,093		513,833
-	Plant & Equipment	460,000	16,123	484,500		500,623
219,347	Motor Vehicles	300,000	567,550	-		567,550
129,769	Roads & Streets	-	8,649,997	-		8,649,997
-	Parks & Recreations	-	264,944	-		264,944
-	Grounds & Fences	-	11,839	-		11,839
-	Stormwater & Drains	-	1,448,033	-		1,448,033
-	Library	-	6,612	-		6,612
-	Miscellaneous	-	175,642	-		175,642
-	Street lights & flood light	540,000	-	-		-
-	ECONOMICS SERVICES	-	74,508	-	-	74,508
-	Refuse site	-	74,508	-	-	74,508
-	Sewerage works	-	-	-	-	-
15,816	TRADING SERVICE	-	-	-	-	-
-	Electricity	-	-	-	-	-
15,816	Water	-	-	-	-	-
1,270,635	TOTAL FIXED ASSETS	1,858,198	16,134,022	839,266	-	16,973,286
-	ACCUMULATED DEPRECIATION	-	-	-	-	-
1,270,635	NETT FIXED ASSETS	1,858,198	16,134,022	839,266	-	16,973,286
1,270,635	LESS:					
1,270,635	LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	1,858,198	16,134,022	839,266	-	16,973,287
1,270,635	RATE & GENERAL SERVICES	1,858,198	16,134,022	839,266	-	16,973,287
189,035	Loans redeemed & Advances repaid	-	604,024	-	-	604,024
1,081,600	Contributions ex Operating income	278,198	35,745	-	-	35,744
-	Contributions ex Grants & Subsidies	1,580,000	15,494,253	839,266	-	16,333,519
-	TRADING SERVICES	-	-	-	-	-
-	Electricity:	-	-	-	-	-
-	Contributions ex Operating Income	-	-	-	-	-
-	Contributions ex Grant & Subsidies	-	-	-	-	-
-	Water:	-	-	-	-	-
-	Loans redeemed	-	-	-	-	-
-	Contributions ex Operating Income	-	-	-	-	-
0	Contributions ex Grant & Subsidies	-	-	-	-	-
0	NET FIXED ASSETS	-	-	-	-	-

JOZINI MUNICIPALITY

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2005

Actual 2004 R		Actual 2005 R	Budget 2005 R
	INCOME		
	Government and Provincial grants and subsidies	19,868,404	17,773,000
13,596,468	- Equitable share	15,987,946	15,698,000
13,596,468	- National / Provincial Government	3,880,458	2,075,000
-	- Public / Local Government	-	-
738,678	Operating Income	1,251,537	2,451,959
738,679	- General Rates	1,161,413	847,309
-	- Rates Penalties	24,124	5,000
-	- Collection Charges	-	-
-	- Cemeteries	-	21,400
-	- Library	-	21,400
-	- Refuse Removal	66,000	497,550
-	- Refuse Penalties	-	-
-	- Sewerage Conservancy	-	1,059,300
509,996	Other income	442,011	2,942,640
-	- Plot Clearing	-	-
-	- Hiring of Sportsfield	-	21,400
-	- Miscellaneous	-	32,100
-	- Tender Monies	-	-
-	- Donation Received	-	-
-	- Photocopies	4,697	-
-	- Discount Received	-	2,140
-	- Rent Received	1,191	20,600
-	- Telephone (Private Calls)	-	-
-	- Billboards Income	-	-
-	- Transfer from accumulated funds	-	2,800,000
-	- Proceeds from sale of assets	41,000	45,000
-	- Water Connection Fess	-	-
509,997	- Sundry income	395,122	21,400
591,000	Interest earned	514,162	781,773
15,436,142	TOTAL INCOME	22,076,114	23,949,372
	EXPENDITURE		
	OPERATING EXPENDITURE		
7,297,557	Salaries, wages and allowances	9,396,301	12,002,858
-	Water Purchases	-	-
5,137,090	General expenses	5,934,004	5,812,721
1,092,521	Repairs and maintenance	696,464	1,131,000
-	Capital charges	-	-
-	Contribution to capital outlay	1,229,383	3,604,727
-	Contribution to leave	168,573	482,757
6,826	Contributions to fixed assets	819,341	906,527
540,215	Contributions to funds	3,946,689	-
14,074,209	Gross operating expenditure	22,190,753	23,940,590
-	Less : Amounts recharged	-	-
14,074,209	Net operating expenditure	22,190,753	23,940,590
1,361,934	SURPLUS	(114,639)	8,782

JOZINI MUNICIPALITY

APPENDIX E : DETAILED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2005

APPENDIX E : DETAILED INCOME STATEMENT FOR THE PERIOD ENDED 2005/2006

2004 Actual Income R	2004 Actual expenditure R	Surplus/ (deficit) R
15,097,359	13,587,226	1,510,132
15,097,359	13,587,226	1,510,132
822,440	0	0
0	2,161,936	0
0	3,640,205	0
678,451	2,172,668	0
13,596,468	0	0
0	1,792,709	-1,792,709
0	2,512,327	-2,512,327
0	123,548	-123,548
0	1,183,633	-1,183,633
0	0	0
0	0	0
338,785	486,983	-148,198
0	0	0
338,785	486,983	-148,198
0	0	0
0	0	0
0	0	0
15,436,143	14,074,209	1,361,934
		23,357
		1,385,291
		8,386,402
		9,771,693

	2005 Actual Income R	2005 Actual expenditure R	2005 Surplus/ (deficit) R	2005 Budget Surplus/ (deficit) R
RATES & GENERAL	22,052,654	20,800,102	1,252,552	2,455,269
COMMUNITY SERVICES	22,052,654	20,800,102	1,252,552	2,455,269
Assesment rates	1,231,301	0	1,231,301	847,309
Corporate Services	0	2,036,674	-2,036,674	-4,225,843
Council General Expenses	3,880,458	7,084,254	-3,203,796	-4,906,867
Financial Services	924,839	2,369,366	-1,444,527	-2,472,938
Health & Refuse	28,950	745,325	-716,374	0
Management	15,987,106	2,258,392	13,728,714	18,984,904
Planning & Development	0	3,770,668	-3,770,668	-5,188,574
Public Safety	0	185,802	-185,802	-582,722
Parks & Gardens	0	2,349,622	-2,349,622	0
SUBSIDISED SERVICES	0	963,896	-963,896	0
Library	0	963,896	-963,896	0
ECONOMIC SERVICES	23,460	0	23,460	-2,448,487
Sewerage Conservancy	23,460	0	23,460	-1,704,037
Health & Refuse	0	0	0	-742,450
TRADING SERVICES	0	426,755	-426,755	0
Water	0	0	0	0
Electricity	0	426,755	-426,755	0
TOTAL	22,076,114	22,190,753	-114,639	8,782
Appropriations for this year (refer to note)			-841,014	
Net deficit for the year			-955,653	
Accumulated surplus/(deficit) beginning of the year			2,056,527	
Accumulated surplus end of year			1,100,873	

JOZINI MUNICIPALITY GENERAL

1. Demographic Analysis

This section of the report has been included into the report to show any changes between the 1996 and 2001 census results that have been made available at the municipal ward level.

Amongst other, details are shown for population characteristics, employment and income, access to services etc.

Figure 1: Population Figures

Ward	Population (1996)	Population (2001)	Change (%)
1	9058	11,899	31
2	10334	9,578	-7
3	9303	12,836	38
4	5085	7,908	56
5	9301	15,813	70
6	6106	8,001	31
7	8413	10,120	20
8	5057	9,740	93
9	11613	11,272	-3
10	6397	7,026	10
11	11285	10,831	-4
12	14380	18,630	30
13	11879	11,634	2
14	11328	13,895	23
15	12846	14,025	9
16	9305	10,883	17
TOTAL	151690	184091	21

Source: Statistics South Africa (2001)

The above table shows a significant increase in the population figures for Jozini between 1996 and 2001. In seven of the municipal wards a population increase of 30% or more is shown with the total increase at municipal level being 21%.

Figure 2: Population Age Distribution

AGE CATEGORY (YEARS)	TOTAL POPULATION (1996)	% (1996)	TOTAL POPULATION (2001)	% (2001)
0-4	22493	15.0	26181	14.2
4-14	46901	31.3	57051	31.0
15-34	50927	33.9	62363	33.9
35-64	23772	15.8	31107	16.9
Over 65	5982	4.0	7388	4.0
TOTAL	150075	100	184090	100

Source: Statistics South Africa (2001)

A comparison of 1996 and 2001 population age data shows a slight decrease in the percentage contribution of the 0-4 age cohort and a slight increase in the percentage contribution on the 35-64 age cohort.

2. Valuations

Rateable Property:

Non Rateable Property:

Residential Property:

Commercial Property:

Assessment Rates:

Town	Residential	Commercial	up to 1000m2	+1000m2
Mkuze:	10.98	10.98		
uBombo			180.00	0.30
Ingwavuma			180.00	0.30